

# UNITED STATES DEPARTMENT OF AGRICULTURE

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*Foreign Agricultural Service*

## GSM-102 Export Credit Guarantee Program (GSM-102)

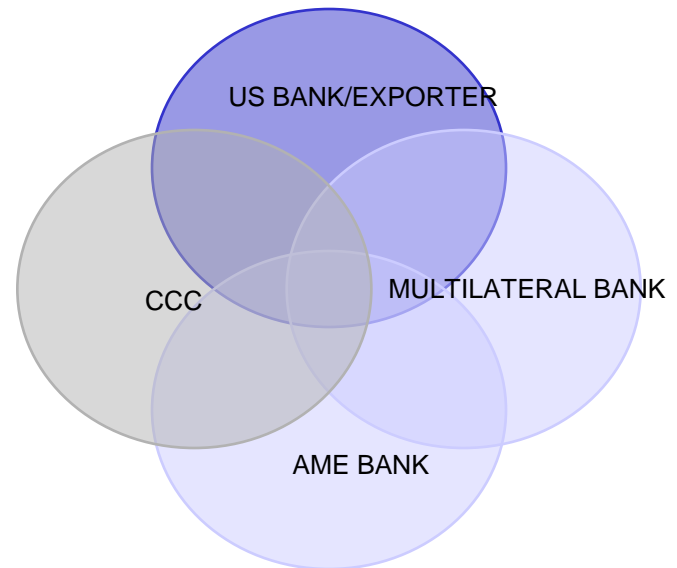


Nigeria June 2009

# GSM-102 GUARANTEES LOANS

*Commodity Credit Corporation (CCC)*

- Irrevocable letter of credit opened by an approved in the Africa and Middle East region (AME)
- The loan/credit is extended by a U.S. bank or financial institution and repaid in U.S. dollars
- U.S. guarantee holder paid by CCC if an AME bank defaults on a loan payment extended by a U.S. bank



# GSM-102 COVERAGE

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*Commodity Credit Corporation (CCC)*

- Sales of U.S. agricultural products (most cases freight) to overseas markets –
- Up to 98 percent of principal and a portion of interest in the event of a payment default
- Credit terms up to 3 years (terms negotiated between the U.S. bank and the AME banks)



# GSM-102 PARTICIPANTS

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## *Commodity Credit Corporation (CCC)*

- U.S. Exporter  
Must be qualified by CCC to participate
- Importer  
No approval required by CCC
- Issuing bank in the Africa/Middle East Region (AME)  
Must be approved by CCC
- U.S. Bank or U.S. Financial Institution  
Must be approved by CCC
- USDA's Commodity Credit Corporation (CCC)  
Federally chartered corporation  
FAS administers this program on behalf of CCC



# GSM-102 REGIONAL FINANCING PROVIDES OPTIONS FOR RISK SHARING

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*Commodity Credit Corporation (CCC)*

- Press Release provides details of program  
<http://www.fas.usda.gov/excredits/exp-cred-guar-new.asp>
- Can **open an L/C in any of the AME bank-eligible countries** for shipment to any other eligible country in the AME
- GSM **risk-based fees vary** according to the risk grade of the AME country in which the L/C is opened (not the destination country)



# AME IMPORTER BENEFITS

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*Commodity Credit Corporation (CCC)*

- ❖ AME banks able to provide **terms to the AME importer** with the dollar credit (working capital) obtained by the U.S. bank through the GSM-102
- ❖ May **encourage U.S. exporters' interest in the AME market** because of payment assurance through the GSM-102 (typically paid when shipped)



# IMPORTER TERMS

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*Commodity Credit Corporation (CCC)*

- Determined by the CCC-approved bank in the AME
  - financial history
  - banking relationship of the loan applicant
  - bank reserve requirements
- Terms extended by the AME bank to the AME importer may not necessarily be the same as those extended by the U.S. bank to the AME bank – CCC does not require this
- Issuing bank in the AME bears risks not covered by the GSM-102; i.e., risk of non-payment by the importer, or foreign exchange fluctuation
- A multilateral bank such as the Africa Export Import bank may provide financial enhancements to the AME bank or importer (regional trade)



# IMPORTER STEPS

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## *Commodity Credit Corporation (CCC)*

- AME importer must **find a U.S. based exporter**
- **A firm sales contract must exist** calling for delivery to an eligible AME country
- **Fee must be paid** by the exporter to obtain the guarantee
- Applications are first come, first served
- AME importer approaches a CCC-approved AME bank to **qualify for a loan under the terms of GSM-102**
- CCC approved bank in the AME issues the letter of credit (L/C) in favor of the exporter
- U.S. bank advises the L/C to the issuing bank in the AME (the U.S. bank does not have to confirm the L/C)





# KEY GSM-102 APPLICATION INFORMATION

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## *Commodity Credit Corporation (CCC)*

- Shipping destination
- Importer name & address
- Name of intervening purchaser, if applicable
- Date of sale
- Commodity description & packaging (detailed)
- Mean quantity, contract loading tolerance
- Unit sales price of commodity
- Estimated value of freight or marine insurance if applicable
- Name and location of bank in AME issuing the letter of credit
- Term length
- Payment intervals
- Shipping date



# IMPORTER TIPS FOR SUCCESS

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*Commodity Credit Corporation (CCC)*

- Stay current on GSM-102 Press Releases and Regulations
- Find a reputable U.S. exporter and perform due diligence; best to visit U.S. food/agricultural shows
- Determine GSM-102 bank limit availability from the bank in Africa (banks advised by the Embassy)
- Look at the fee schedule for registering the sales contract under GSM-102



# U.S. AGRICULTURAL EXPORTER STEPS

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*Commodity Credit Corporation (CCC)*

- U.S. exporter qualifies for GSM-102 on-line
- U.S. exporter negotiates a firm sales contract with the importer in the AME
- Exporter applies to CCC (**pays a non refundable fee**) for the GSM-102 payment guarantee
- U.S. exporter in almost all cases assigns GSM-102 guarantee to a CCC-approved U.S. Bank and is paid once shipped and documents presented to the bank



# RISK BASED FEES: ANNUAL PRINCIPAL PAYMENTS

*Commodity Credit Corporation (CCC)*

**GSM-102 (Premium per US \$100 of coverage)**

	Risk Category							
Tenor	0	1	2	3	4	5	6	7
9 Months <sup>1</sup>	\$0.290	\$0.315	\$0.340	\$0.377	\$0.452	\$0.526	\$0.563	Ineligible
12 Months <sup>2</sup>	\$0.319	\$0.346	\$0.373	\$0.411	\$0.490	\$0.570	\$0.612	Ineligible
15 Months <sup>3</sup>	\$0.348	\$0.376	\$0.406	\$0.446	\$0.529	\$0.614	\$0.660	Ineligible
18 Months <sup>4</sup>	\$0.377	\$0.407	\$0.439	\$0.480	\$0.567	\$0.658	\$0.709	Ineligible
24 Months <sup>5</sup>	\$0.435	\$0.469	\$0.505	\$0.550	\$0.645	\$0.747	\$0.806	Ineligible
30 Months <sup>6</sup>	\$0.493	\$0.530	\$0.571	\$0.619	\$0.722	\$0.835	\$0.903	Ineligible
36 Months <sup>7</sup>	\$0.551	\$0.592	\$0.637	\$0.688	\$0.799	\$0.924	\$1.000	Ineligible



# RISK BASED FEES: SEMI-ANNUAL PRINCIPAL PAYMENTS

**GSM-102 (Premium per US \$100 of coverage)**

*Commodity Credit Corporation (CCC)*

	Risk Category							
Tenor	0	1	2	3	4	5	6	7
30 Days <sup>8</sup>	\$0.161	\$0.176	\$0.190	\$0.215	\$0.261	\$0.304	\$0.323	Ineligible
60 Days <sup>8</sup>	\$0.166	\$0.181	\$0.196	\$0.220	\$0.267	\$0.311	\$0.331	Ineligible
90 Days <sup>8</sup>	\$0.170	\$0.186	\$0.201	\$0.226	\$0.274	\$0.319	\$0.339	Ineligible
4 Months <sup>8</sup>	\$0.175	\$0.191	\$0.206	\$0.231	\$0.280	\$0.326	\$0.347	Ineligible
6 Months <sup>8</sup>	\$0.184	\$0.200	\$0.217	\$0.242	\$0.292	\$0.340	\$0.363	Ineligible
9 Months <sup>9</sup>	\$0.212	\$0.230	\$0.248	\$0.275	\$0.330	\$0.384	\$0.411	Ineligible
12 Months <sup>10</sup>	\$0.239	\$0.260	\$0.280	\$0.308	\$0.368	\$0.428	\$0.459	Ineligible
15 Months <sup>11</sup>	\$0.271	\$0.292	\$0.316	\$0.347	\$0.411	\$0.478	\$0.513	Ineligible
18 Months <sup>12</sup>	\$0.302	\$0.326	\$0.351	\$0.384	\$0.454	\$0.526	\$0.567	Ineligible
24 Months <sup>13</sup>	\$0.363	\$0.391	\$0.421	\$0.458	\$0.538	\$0.623	\$0.672	Ineligible
30 Months <sup>14</sup>	\$0.423	\$0.454	\$0.489	\$0.531	\$0.619	\$0.716	\$0.774	Ineligible
36 Months <sup>15</sup>	\$0.482	\$0.518	\$0.557	\$0.602	\$0.699	\$0.809	\$0.876	Ineligible



# AME BANK ELIGIBLE AND DESTINATION ONLY COUNTRIES

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*Commodity Credit Corporation (CCC)*

## Sub Saharan Africa

Botswana, Burkina Faso, Cape Verde, Gabon, Ghana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Pakistan, Qatar, Senegal, South Africa, Swaziland, Uganda

## Destination Only Countries

Benin, Cote d'Ivoire, Djibouti, Equatorial Guinea, Gambia, Lebanon, Libya, Mali, Niger, Seychelles, Tanzania, Yemen, and Zambia



# BENEFIT TO AME BANKS (GSM-102 APPROVED)

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*Commodity Credit Corporation (CCC)*

- Able to support and finance bank clients interested in buying U.S. agricultural products
- Access to trade finance with U.S. banks (dollar credit)
- Increased credit lines from U.S. banks
- Possibility of up to 3 year tenor



# AGRICULTURAL AFFAIRS OFFICE U.S. CONSULATE GENERAL, LAGOS

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